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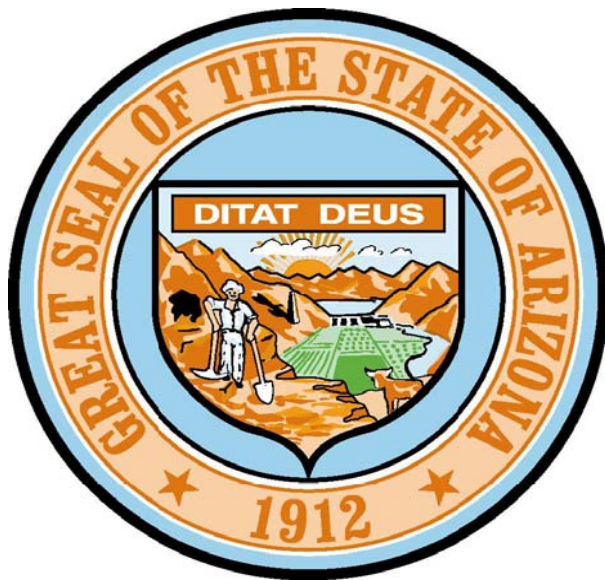
**Governor's Arizona Forest Health
Oversight Council**

2006 Status Report and Recommendations

Executive Order 2003-16

**State of Arizona Governor
Janet Napolitano**

Final
April 25, 2006



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Executive Summary

This report makes 35 recommendations that Governor Janet Napolitano's Forest Health Oversight Council agree are necessary to solve the problem of unnatural wildfire caused by poor forest health. This is the third year the Council has compiled this list. They are informed by four years of monthly meetings, presentations on, and investigations into the causes and solutions to degraded forest health and wildfire risk. Many of the actions identified in previous years have been addressed. The State Legislature, Governor, Congressional delegation, municipalities and citizens have made notable contributions to solving this problem. These collective efforts make Arizona a national leader in restoring forest health and lowering fire risk to communities. However, there are still many policy changes and actions that are needed to build on previous efforts and ensure widespread fire risk reduction to communities, and to adequately restore Arizona's forests.

The 35 recommendations are directed to different groups of decision-makers who can help solve this problem—including private citizens. There are:

- 10 recommendations directed to the Arizona Legislature
- 8 recommendations for the Governor and Executive Branch
- 2 recommendations for the Arizona Corporation Commission
- 6 recommendations to Congress
- 3 recommendations for Communities
- 2 recommendations for Citizens and the Private Sector
- 3 recommendations for future study by the Forest Health Oversight Council
- 1 recommendation to the Forest Health Advisory Council

The largest number of recommendations are directed to the state legislature. Several highlights include: delegating authority to manage lot splits to the counties; providing funding to the State Forester to increase his capacity to plan and implement treatments and manage wildfire; and, directing the State Fire Marshall to adopt and enforce a state minimum fire code that reflects new knowledge about fire resistant building materials and practices that lower the risk of fire to homeowners and property. Recommendations to the Governor request that she continues to work with the Western Governors' Association to resolve jurisdictional issues that confound reducing hazardous fuels on utility corridors that traverse the intermountain West; and, to continue efforts to ensure that new state buildings use alternative energy sources—including woody biomass. Congress is asked to continue to provide adequate funding to the U.S. Forest Service and other federal land management agencies to conduct restoration-based hazardous fuel reduction treatments. Once again we ask private citizens to provide the first line of defense against fire by reducing hazardous fuels on their own property.

The problem of unnatural wildfire is solvable. By implementing restoration-based hazardous fuel reduction treatments we can restore forests and reduce the risk of catastrophic fire. The benefits of these actions accrue to citizens, communities, forests, wildlife and future generations. The time to act is now.

Introduction

The largest contiguous band of ponderosa pine forest in the world dominates northern Arizona. This forest covers three million acres in a swath extending along the Mogollon Rim and the White Mountains from northwest of Flagstaff to the New Mexico border southeast of Springerville. Most of this area lies within the Coconino and Apache-Sitgreaves National Forests and the White Mountain Apache Indian Reservation. Extensive ponderosa pine forests are also found on the Kaibab National Forest on both sides of the Grand Canyon, in the Chuska and Lukachukai Mountains of the Navajo Indian Reservation, the Prescott National Forest and on the "sky island" mountains of southeastern Arizona such as the Santa Catalinas, the Chiricahuas, and Mount Graham in the Coronado National Forest.

The pine forests are vital to Arizona and its citizens. They are home to tens of thousands of residents in mountain cities and towns such as Flagstaff, Prescott, Payson, Show Low, Heber, Overgaard, Pinetop, Lakeside, White River, McNary, Eagar, Springerville, and numerous smaller communities. Pine forests constitute large and critical portions of the watersheds of the Salt, Verde, and Gila Rivers, which supply water for the people, farms, and industries of central and southern Arizona, including the Phoenix metropolitan area. Pine forests provide essential habitat for numerous species of wildlife, including deer, elk, bear, and wild turkey, as well as game birds, birds of prey, and small mammals. Arizona's forests can also provide wood for utilization. Finally, they are an enormous recreational resource, providing camping, hunting, fishing, hiking, and bicycling opportunities, as well as relief from the desert heat, for hundreds of thousands of visitors, both from in-state and out-of-state. The income from these visitors is critical to the economy of much of rural Arizona.

The Condition of Arizona's Forests

There is widespread agreement among forest scientists on a number of general points. In most of Arizona's pine forests, the number of trees is now substantially greater and the diversity and abundance of grasses, wildflowers, and shrubs are substantially less than in the nineteenth century. The increase in tree density is due to relatively young trees that have irrupted since widespread Euro-American settlement of the forests began. The presence of large, mature trees (sometimes called "old growth") is low.

The high density of young ponderosa pine trees, in combination with dead trees caused by a bark beetle epidemic that began in 2002 has left the forest with an unprecedented level of volatile fuel. Climatic information indicates that Arizona is in a scientifically predictable period of extended drought that may possibly be aggravated by a rise in global temperatures. The convergence of these factors leaves Arizona's forests and communities vulnerable to unnatural, catastrophic fire.

The Rodeo-Chediski fire that burned approximately 467,000 acres of Arizona's forests in 2002 was the largest fire in the history of our state. The cost of suppression and other related damage exceeds \$400 million. Hundreds of families

lost their homes and property. Thousands more were forced to evacuate their communities and lived with the fear that their homes too would be lost.

Fortunately, there is strong support for taking action to restore forests and reduce the threat of wildfire. A fall 2003 statewide telephone poll conducted by the Social Research Lab at Northern Arizona University of 610 Arizona adult residents found that 52% of those questioned recognized that Arizona forests are unhealthy. Among those polled 76% expressed support for using controlled burns to reduce hazardous fuels and 80% supported the need for mechanical thinning to reduce fuel loads.

In addition, communities-at-risk for wildfire have mobilized and prepared Community Wildfire Protection Plans (CWPP), a planning action required under the Healthy Forest Restoration Act of 2003 to position communities to receive consideration for federal hazardous fuel reduction dollars. As of March 2006, eleven Community Wildfire Protection Plans were completed. These plans cover 71 of 159 communities identified by the state as Communities at Risk (CAR) and encompass seven million acres of land (ponderosa pine, pinyon-juniper woodlands, desert, and grasslands) in multiple jurisdictions. Arizona is a leader in the number of plans completed.

During 2005 Arizona's deserts suffered more damage from unnatural fire than any other fire season on record. A wet winter and spring in 2005 protected the forested regions from fire. Precipitation for the 2005-2006 weather year (beginning October 1, 2005) is far below normal. The state and federal agencies are preparing for a potentially difficult fire season in anticipation of precipitation falling significantly below normal. The extended drought now underway in the Southwest is a reality of the desert and semi-arid forests of Arizona. It lends further urgency to the need to restore Arizona's forests as the most prudent, long-term and cost-effective solution to protecting the forests and communities of Arizona.

Arizona has made notable progress to protect its forests and communities from unnatural fire (see accomplishments). Yet each year the ponderosa pine forests add roughly 100 million cubic feet of net annual growth. Tree removal reduces this total annual growth by only 20%. This results in an annual increase in fuel loadings and exacerbates the negative effects of excess fuels on forest health. To reduce the risk of unnatural fire, action must be taken to address the underlying problem that contributes to catastrophic fire—restoring forests to their normal vigor and function. Forest restoration requires site specific treatments that may include thinning or prescribed burning, or a combination of the two. In addition, to reduce the threat of fire to people, homes, and communities, government and citizens must take action to reduce hazardous fuels on their own property. This document identifies some of the actions that the Governor's Forest Health Oversight Council believes are necessary to solve the problem of degraded forest health and to protect communities and citizens from catastrophic fire.

Accomplishments in 2005

The Forest Health Oversight Council is pleased to report progress on numerous past recommendations made by the Council. Some of these accomplishments, such as educational activities reflect work of Council members, in other cases, such as progress on Community Wildfire Protection Plans the credit goes to the communities, Office of the State Forester, the Forest Service and other partners who completed this important task.

Education

The need for public education that motivates private landowners to create defensible space is a common request of the stakeholders trying to lower the risk of unnatural wildfire to communities. The Education Subcommittee of the Council has developed many education tools to reach the public. Its actions in 2005 include:

- Produced a FireWise brochure and distribution of 500,000 copies to homeowners in northern Arizona during 2004. Copies were also distributed to local retailers in these areas.
- Produced a Public Service Announcement (PSA) with Governor Napolitano to encourage homeowners to be FireWise.
- Developed a PSA with Black Canyon City demonstrating the effectiveness of the FireWise approach.
- Revised the FireWise brochure in 2005 and produced and distributed another 300,000 copies.
- Produced a news release to promote an educational day and work day in the following communities to promote hazardous fuels reduction: Groom Creek, Arivaca and Black Canyon City. This effort required coordination between the towns, fire departments and volunteer groups. These volunteers spent one day distributing brochures to homeowners. It was followed up by a work day in which volunteers helped homeowners' clear vegetation around their homes.
- Funded a CD-ROM for the forested communities of Pine and Strawberry.

Community Wildfire Protection Plans

The Healthy Forests Restoration Act urges communities to develop collaboratively designed Community Wildfire Protection Plans (CWPP). These plans not only provide the logic for reducing hazardous fuels around communities but they position communities and the associated federal agencies to receive federal funds.

- Eleven CWPPs are completed. One more is in draft and another is in the preliminary stages of development.
- The plan analysis areas encompass over 7 million acres of federal, state, tribal, and private land.
- 71 of the states 159 identified Communities At Risk (CAR) fall within these completed plans.

Leveraged state and federal funds

- 6,916 homes have been protected using leveraged state fire assistance funds during the past five years.
- Significant hazardous fuels reduction has been accomplished by matching \$14,317,707 in state and federal money with \$12,069,383 of community funds during the past five years.

Executive Order Issued 2005-05- Implementing Renewable Energy and Energy Efficiency in New State Buildings

The Governor's Executive Order signed on February 11, 2005 establishes three objectives to encourage the use of alternative energy in new building construction. These directives apply to new construction initiated following the signing of the Executive Order.

- New buildings funded by the state will derive 10% of their energy from renewable sources
- Newly constructed state facilities will achieve energy efficiency standards established through state statute
- All new construction will achieve "silver" Leadership for Energy and Environmental Design (LEED) standard

Arizona's Healthy Forest Legislation, House Bill 2549

The Healthy Forest Legislation passed in 2005 is implemented and available to the Arizona business community (see legislative summary above).

- 6 companies are certified
- 8 qualified projects

Arizona Fire Map

In February, 2004, the Forest Health Advisory and Oversight Councils began to formally address the need for mapping and assessment tools that could facilitate the integration of forest health data across jurisdictions to facilitate planning, reporting and decision making. The most pressing need: statewide fuels treatments data management, visualization, and reporting. The Councils tasked the newly formed Mapping & Assessment Subcommittee (M&A) with making recommendations on the development of an on-line application that could facilitate data sharing, data standardization, and reporting using the fuels treatments example as the initial challenge to be addressed. Members of M&A specified the fundamental need and then sought out the resources to develop a prototype application, which they named Arizona FIRE MAP – which stands for the Arizona Fuels, Information, Restoration, and Education Mapping and Assessment Program.

- Phase I of Arizona Fire Map is underway. It is designed to collect and manage information on the location, size, cost and other pertinent information relevant to forest treatment planning and implementation

FireWise Communities

- 8 Communities in Arizona have achieved FireWise Community designations.

Work Force Capacity

The Department of Corrections has established 15 work crews to conduct thinning and burning. While incarcerated these individuals learn valuable skills that can be translated to meaningful work outside of prison.

2005 Summary of Legislative Action

During 2004 the Department of Commerce, Industries of the Future and other stakeholders determined that the tax incentive program passed by the Arizona State Legislature in 2004 did not achieve the desired policy goal of stimulating business development. Subsequent analysis showed that targeting state sales tax relief for transportation and property tax relief for business development could potentially motivate private investment. These changes were incorporated in legislation that passed during the 2005 session of the Arizona State Legislature.

The Healthy Forest Enterprise Incentives Legislation (established under A.R.S. § 41-1516) provides five tax incentives designed to stimulate small wood utilization. These include:

1. **A Use fuel tax reduction** from August 31, 2005 through December 10, 2010. A certified business that transports qualified forest products from or to qualifying projects is offered a use fuel tax reduction. The use fuel tax imposed is reduced from 26 cents to 13 cents a gallon for use class motor vehicles. (A.R.S. §§ 28-5606 and 28-5614)
2. **Transaction privilege tax exemption on:**
 - **equipment purchased from** and after June 30, 2004 through June 30, 2014. A certified business is offered a transaction privilege tax exemption on qualifying equipment used for the harvesting or the initial processing of qualifying forest products. (A.R.S. § 42-5061)
 - **equipment leased or rented** from and after June 30, 2004 through June 30, 2014. A certified business is offered a transaction privilege tax exemption on qualifying equipment used for the harvesting or the initial processing of qualifying forest products, if the qualifying equipment is leased for a period of more than five years. (A.R.S. § 42-5071)
 - **construction contracts** if construction begins before January 1, 2010. A certified business is offered a transaction privilege tax exemption on a contract for the construction of any building, or other structure, project, development or improvement that is owned by the certified business and used for the harvesting or the initial processing of qualifying forest products. (A.R.S. § 42-5075)
3. **Use tax exemption on equipment purchased out-of-state** from and after June 30, 2004 through June 30, 2014. A certified business is offered a use tax exemption on the storage, use or consumption in Arizona of qualifying equipment purchased out-of-state and used for the harvesting or the initial processing of qualifying forest products. (A.R.S. § 42-5159)
4. **Property tax reduction** on real and personal property and improvements constructed or installed from and after December 31, 2004 through December 31, 2010. A certified business that owns and

uses the property solely for the purpose of the harvesting, transporting or the initial processing of qualifying forest products is offered a property tax reduction. All real and personal property can be reclassified from Class 1 to Class 6 property, changing the assessment ratio from 25% to 5% for both primary and secondary tax purposes. (A.R.S. §§ 42-12006 (7) and 42-15006 (1))

5. **New job income tax credit** for taxable years beginning from and after December 31, 2004 through December 31, 2014. A certified business can receive a tax credit for net increases in qualified employment positions, subject to the following requirements and restrictions: job duties must primarily involve or directly support the harvesting, transporting or the initial processing of qualifying forest products removed from qualified projects into a product having commercial value; an employee must have been employed for at least 90 days in the first taxable year to generate a tax credit; an employee must not have been previously employed by the business within the twelve months prior to the current date of hire; and all of the net new eligible employees on whom the business is claiming a credit must be residents of Arizona on the date of hire; three new employees must be hired in the first year a tax credit is claimed. (A.R.S. §§ 43-1076 and 43-1162).

The Department of Commerce has already certified six businesses as qualified for the aforementioned credits. The Council will continue to monitor implementation of the legislation and the role it plays to encourage private investment in small wood utilization.

Recommendations for 2006

The recommendations in this report are grouped under the person or entity responsible for executing the action. Where the action is new or a continuation of a previous year's recommendation it is indicated after the recommendation. The logic behind this approach is to demonstrate that the responsibility for restoring forests and reducing the risk of unnatural fire to communities and ecosystems is broadly shared by policy makers, land management agencies and citizens alike. Success requires collaboration and cooperation among all entities.

A) Recommendations to the Legislature

- A1. Pursuant to ARS 41-2146 the State of Arizona Fire Marshall should be directed to adopt and maintain a current Fire Code. The Fire Marshall should work with the State Fire Safety Committee to establish minimum standards for safeguarding life and property from fire and fire hazards. (The current code was adopted circa 1988) *Repeat from 2004 and 2005***
- A2. Pursuant to ARS 41-2146 and following adoption of a current fire code the State of Arizona Fire Marshall should be directed to enforce the Fire Code. *Repeat from 2004 and 2005***
- A3. Pursuant to ARS 41-2146 the State of Arizona Fire Marshall should adopt and maintain a current Wildland Urban Interface Fire Code. The Fire Marshall should work with the State Fire Safety Committee to identify the appropriate minimum standards found in the INTERNATIONAL URBAN WILDLAND INTERFACE CODE (IUWIC) that will safeguard life and property in areas at risk from wildfire. *Repeat from 2004***

Rationale for 1a-3a: Arizona's fire code is 18 years old and does not reflect new knowledge and sensible requirements needed to protect homes against wildland fires. In addition, Arizona does not have a statewide Wildland-Urban Interface Code. The risk of property loss and injury to civilians and firefighters can be reduced or avoided if homeowners apply practical, research-supported actions for creating defensible space. By updating the Arizona fire code and adopting a Wildland-Urban Interface code, property owners will be responsible, active participants in efforts to protect themselves, their property, and the lives of firefighters. This action will reduce the eventual recovery costs to state and federal taxpayers and reduce the possibility of increasing insurance premiums.

- A4. Expand the composition of the State Fire Safety Committee to include broader representation of stakeholders including the counties, towns, cities, fire districts, the insurance industry, and the State Forester. *Repeat from 2004 and 2005***

Rationale: The 2004 legislation created a new State Wildland-Urban Fire Safety Committee to develop recommendations for minimum wildland urban interface standards.

However, the State *already* has a Fire Safety Committee to review and make recommendations for a statewide minimum fire code. Nevertheless, the composition of the existing committee is largely urban and lacks expertise on rural and wildland-urban interface fire issues. By broadening the membership of this Committee or by merging the two committees and adding the representatives listed here, greater efficiency can be achieved and the important goal of developing more effective fire codes can be attained.

- A5. Revise state statutes to provide *optional* authority to fire districts, cities, towns, and counties to enforce the INTERNATIONAL URBAN WILDLAND INTERFACE CODE (IUWIC) code or an equally effective code immediately, and to promulgate higher standards where local conditions require it. Authority should include updating the code as new information develops. *Repeat from 2004 and 2005***

Rationale: The 2004 legislation granted authority to these entities to adopt the code. However, the counties have interpreted this new law differently. Prescott, in Yavapai County, has established a code and is actively enforcing it. Coconino County feels the law is unclear with regard to their enforcement authority.

The State Forester has requested the Attorney General to provide an opinion regarding the law and the extent of the county authority (see Appendix C). The Council has retained this recommendation in case the Attorney General determines the legislation failed to grant authority for the adoption and enforcement of a wildland-interface code.

- A6. Provide counties, towns, cities and fire districts the authority to require established home and landowners (as opposed to new subdivisions) to create defensible space by removing vegetation that constitutes hazardous fuels, and to take other reasonable preventative actions where necessary to reduce the risk of wildfire and/or facilitate the control of wildfire on their property. Provide authority to fire districts, cities, towns, and counties to develop and implement an administrative review process to enforce hazardous fuels reduction. *Repeat from 2004 and 2005***

Rationale: Uniform fire codes focus primarily on new construction, and are enforced primarily through denial of permits. To more effectively prevent and

control wildfires in the wildland-urban interface, the state fire marshal, counties, and fire districts must have authority to require established home and landowners to undertake certain fire prevention measures, such as the removal of hazardous fuels, including dead trees and brush, from existing developments as well as from newly constructed developments. Additional authority is also needed to seek reimbursement from the landowner if the county, fire district, town or city removes hazardous fuels because a landowner fails or refuses to take action to correct the hazardous condition.

Although in extreme cases cities and counties might be able to address such problems using their authorities to abate nuisances and their general authorities to enforce ordinances, such proceedings are time consuming, costly, and generally require court proceedings that depend upon county attorneys' willingness to make such action a priority. Even when a judgment is obtained it may not be enforced, and in some cases its relative priority is so junior that the lien would not be paid even if foreclosed. Although the state fire marshal has authority to issue cease and desist orders and to seek injunctive relief in court to enforce the state fire code, that is a cumbersome and expensive process that requires the assistance of attorneys.

The current administrative process is only available for review of orders of state agencies. This language would allow counties, towns, cities and fire districts to initiate an administrative process to facilitate the enforcement of regulations that would reduce hazardous fuels and establish a defensible space on properties in the urban-wildland interface.

A7. Expand county planning and zoning authority to ensure responsible management of growth and development in communities vulnerable to unnatural catastrophic fire. Lot split control, requirement of access roads and internal streets and transferable development rights will preserve communities in eminent danger. *Repeat from 2004 and 2005*

Rationale: The counties understand the need to anticipate wildfires and to protect public and fire fighter safety. To be effective, the counties need the authority to plan, zone, and enforce the minimum standards adopted in the state fire code and wildland-urban interface fire code. This authority also permits the counties to take actions that minimize the cost of delivering fire protection services.

For example, one of the most difficult issues related to firefighting in rural areas is inadequate access to property, leading to a slow response time during emergencies. In a 2001 survey of fire districts, virtually every fire district expressed concerns about inadequate roads, impassable roads, roads that had been blocked or fenced by property owners, lack of turnarounds, roads that cannot withstand the weight of fire apparatus, and lack of water for firefighting. The land division (lot splitting) process in counties that allows any property owner to split his or her property five ways has led to unplanned and unregulated sprawl outside of towns and cities. The inability to regulate basic public health and safety needs has led to infrastructure (roads, drainage, water, and sewer) and service (police, fire, and rescue) challenges for counties,

fire districts, and other emergency providers.

While language passed in 2000 as a part of the Growing Smarter Plus legislation helped the Counties, it did not provide enough authority for to adequately address lot split and access issues.

A8. Pass legislation to provide a tax rebate for “red” fuel used to harvesting small diameter wood and for fuel consumed in the processing of wood. *New*

Rationale: “Red fuel” is off-highway diesel fuel that is dyed red and used in the harvesting and transporting of wood in the forest. Fuel costs associated with harvesting and processing of low value small diameter wood has a serious impact on the profitability of harvesting operations. Providing this incentive will encourage investment in harvesting and utilization businesses.

A9. Delete language from 2004 legislation that distracts the State Forester from the primary responsibilities of forest management and wildland fire suppression. *Repeat from 2005*

Rationale: The Arizona State Legislature passed legislation in 2004 that requires the State Forester to intervene in appeals of proposed forest treatments on federal land. The core responsibilities of the State Forester are to solve land management challenges associated with unnatural wildfire on state and private land. The State Land Department lacks the resources and legal expertise to participate in court actions. Legal intervention is the responsibility of the State Attorney General. In addition, the State Forester has no authority with regard to appeals on federal land.

A10. The legislature should support the Governor’s increases in the base budget of the office of the State Forester. *Repeat from 2005*

Rationale: In 2004, the legislature expanded the duties of the State Forester without expanding the budget. Increased funding is required to adequately support all the statutory duties of the State Forester.

B) Recommendations to the Governor/Executive Branch

Some of the recommendations to the Governor are similar to recommendations made to the legislature. Where a recommendation requires the executive branch of government to act in concert with the legislature (i.e. initiating a budget request in the office of the State Forester followed by an appropriation provided by the legislature), the recommendations appear in both places.

B1. Add a state education coordinator to the Office of the State Forester.
Repeat from 2005

B2. Increase the base budget of the office of the State Forester to support additional responsibilities. *Repeat from 2005*

Rationale for B1 and B2: The State Forester and the State Land Department are responsible for protecting over 22 million acres of state, nonfederal, and private land from fire.

In 2004 the Governor signed Executive Order 2004-21, relating to the State Land Department, Forestry Division. The E.O. began the process of consolidating all fire and forest management activities, including the administration of federal and state grant programs, under the State Forester. This will improve efficiency and ensure coordination and coherent delivery of services. Additional positions were requested in the Governor's FY 2007 budget.

The public must understand and be motivated to take action to reduce the risk of fire to private property and homes. Citizen involvement is a critical element of a comprehensive strategy to reduce the risk of fires to communities. Effective outreach employs a myriad of communication tools and multiple media approaches. Success requires full time dedication to this effort.

B3. The State Forester in conjunction with the Governor's Forest Health Oversight Council, Forest Health Advisory Council, and with input from participants of the 3rd and 4th Annual Governors Forest Health and Safety Conference should evaluate the status of forest health and develop a strategic vision for the restoration of forest health. *Repeat from 2005*

Rationale: Work is already underway to incorporate citizen recommendation from the 2005 and 2006 Forest Health summit into a document that identifies a vision and strategy for the restoration of Arizona's forests. This strategy will be completed by December 2006 and will assist the state in attracting federal funds for forest restoration as well as inform the U.S. Forest Service forest plan revisions.

B4. The State should survey state funded facilities to determine the feasibility of retrofitting these facilities for wood heat. *Repeat from 2005*

Rationale: The state received a grant from the Western Governors' Association in 2005 to conduct this survey. However, changes in the state agencies have stalled progress. The Governor should seek to solve this problem quickly.

- B5. If the results of the analysis from the state survey indicate it is feasible, the Governor, by executive order, should require state building renovations to consider using commercially based wood pellets or wood chips for heating purposes (schools, universities, etc.).**
Repeat from 2004 and 2005

Rationale: Heating technology using wood pellets is well established and commercially viable. In addition, small business capacity already exists in the state to produce pellets and can be expanded rapidly into new communities in response to new markets. The manufacturing of pellets and small wood utilization for heat have many benefits greater than those of other wood products including: pellet production must be located close to its markets leading to appropriate-scale small enterprise development; both the manufacturing of pellets and the production of heat from wood are clean approaches to heat production when the pollutants of different sources are compared; and, it creates a market for the utilization of small wood.

On February 11, 2005, Governor Napolitano issued Executive Order 2005-5, "Implementing Renewable Energy and Energy Efficiency in New State Buildings". EO 2005-5 directs that all new state funded buildings shall be designed and constructed to derive at least ten percent of their energy from a renewable source including thermal energy from biomass fuels. This recommendation urges that existing state facilities be retrofitted to use wood heat. The Council also expects that any use of a wood heat will comply with all clean air standards.

- B6. The Governor, through the WGA, and in collaboration with the utility industries should promote expedited treatments using best management practices to reduce the threat of wildfire to regional utility corridors.** *Repeat from 2004 and 2005*

Rationale: Utility corridors cross wildlands of different jurisdictions (local, state and federal) throughout the Intermountain West. In order to prevent power outages and wildland fires it is critical that vegetation along these corridors is routinely and properly managed in a timely manner. Unfortunately, jurisdictional issues prevent the timely completion of this required work.

Currently, power delivery is continually threatened by wildfire and falling trees, a result of post-fire and beetle mortality. Providing uninterrupted power requires adequate treatment of utility corridors. Obtaining the necessary clearances and authorizations to maintain this zone of protection and developing the maintenance schedule and plan to implement present challenges across multiple jurisdictions. Consequently, corridor maintenance is inadequate in some places to ensure continued power delivery during or following a fire or severe weather.

The urgency associated with this issue is further demonstrated by new provisions in the federal energy bill and the resulting federal actions. For

example, the development and certification of a new Electric Reliability Organization (ERO) by the Federal Energy Regulatory Commission (FERC) will result in new and stricter requirements for managing vegetation adjacent to power lines. These new standards are being developed to prevent blackouts similar to the August 2003 Northeast blackout which also involved tree and power line conflicts.

Governor Napolitano incorporated this issue in the Western Governors' Association annual working plan for 2004-05. The Western Energy Coordinating Council hosted a meeting with the WGA and resource groups to discuss how to manage energy movement and reliability. The Governor should continue to encourage this coordination.

The Governor should also request that the Arizona Corporation Commission to support actions to address these issues.

B7. A mechanism for formal information exchange should be established between the Arizona Geographic Information Council (AGIC) and the Forest Health Advisory Councils (and other natural resource councils established by the Governor). *New*

Rationale: The Arizona Geographic Information Council (AGIC) was established by Executive Order 89-24 as Arizona's primary forum and oversight group for geographic information and geographic information technology issues and coordination efforts. AGIC identifies standards, development and implementation strategies to provide a framework in order to optimize the State's investment in geographic data and technology. Through cooperation and partnerships AGIC facilitates the acquisition, exchange and management of geographic information and technology for the State of Arizona to benefit state agencies and the Arizona GIS community. AGIC meets on a regular basis and conducts an Annual GIS Conference to address and coordinate statewide geographic information and technology issues, requirements and solutions.

The Governor has established numerous councils to address natural resource management. These efforts would benefit from GIS support and expertise from the Arizona Geographic Information Council (AGIC). A formal line of communication should be established between the Governor's Councils and the AGIC to communicate information needs. The information exchange would begin with a review/adjustment of AGIC board representation to include all relevant agencies/organizations (including tribes). This would enable AGIC to fulfill its mission within the increasing demands for geographic data in the natural resource sector.

B8. The Forest Health Councils, the Arizona Interagency Coordinating Group (AICG) and the Arizona Geographic Information Council (AGIC) should work together to develop and implement an integrated method for identifying, collecting, cataloging and reporting fire perimeters

mapped by the wide variety of public, non-profit, federal, state, tribal and local government agencies responsible for fire suppression and management. *New*

Rationale: Customers for GIS information management relevant to wildfire and wildfire prevention have requested the development of cross jurisdictional data sets and tools to integrate fire perimeter data across jurisdictions (at a minimum for the past ten years) and maintain those data. Although individual organizations collect and manage fire perimeter information, Arizona lacks a clear sustained mechanism for integrating these data and maintaining them in an integrated database so they can be used on a consistent basis state-wide.

C) Recommendation to the Corporation Commission

C1. The Corporation Commission has proposed a new Renewable Energy Standard (as a revision to the existing Environmental Portfolio Standard) that calls for broadening the "Eligible Renewable Energy Resources" to emphasize biomass electricity generation, and to include biomass thermal systems as "Distributed Renewable Energy Resources" to replace fossil fuel use. The new RPS establishes a goal to increase the percentage of energy to be derived from renewable sources to 5% by 2015 and then to 15% by 2025. The Council urges approval of these changes in adoption of the final rule. *New*

Rationale: The Corporation Commission adopted the changes recommended by the Forest Health Oversight Council in a letter sent on February 17, 2005 urging an increase in the EPS percentage and inclusion of biomass as an alternative energy. These changes will help create utilization opportunities for small diameter wood and woody biomass if adopted as proposed during the final rule-revision process.

C2. The Corporation Commission should support actions to facilitate hazardous fuel reduction treatments in utility corridors. *New*

Rationale: (see B6 above) Utility corridors cross wildlands of different jurisdictions (local, state and federal) throughout the Intermountain West. In order to prevent power outages and wildland fires, it is critical that vegetation along these corridors is routinely and properly managed in a timely manner.

D) Recommendations to Congress

D1. Congress should support funding for the White Mountains stewardship contract on the Apache-Sitgreaves National Forest for the duration of the agreement. *Repeat of 2005*

Rationale: Stewardship contracting stimulates private investment in harvesting and marketing by providing certainty that small diameter wood will be available for an extended period of time (giving investors confidence that they will recover their costs). However, harvesting of small diameter wood under a stewardship contract still requires federal subsidies. A lack of guaranteed funding over the period of the contract undermines investor confidence and contributes to uncertainty. A commitment is needed that federal funding will be available throughout the duration of the Apache-Sitgreaves contract.

D2. The Federal Emergency Management Agency (FEMA) should be authorized to provide funding to take science-based preventative action to reduce hazardous fuels around communities-at-risk in Arizona. This action was taken in 2003 to benefit California. *Repeat from 2004 and 2005*

Rationale: In a prescient action in early 2003, the State requested an Emergency Declaration and federal funding from FEMA to remove hazardous fuels created by the unnatural bark beetle epidemic *before* a catastrophic fire erupted. This request was denied, appealed, and denied a second time on the grounds that FEMA does not fund preventative treatments. However, a similar request by the State of California was approved in 2003. Presently, many Arizona communities are surrounded by dead and dying trees that will pose a significant risk during each fire season.

Congress should pursue why FEMA is exercising its authority inconsistently and secure funding to remove hazardous fuels.

D3. Expand the Collaborative Forest Restoration Act developed for New Mexico to include Arizona. *Repeat from 2004 and 2005*

Rationale: The Collaborative Forest Restoration Program (CFRP, established by the Act in 2000) provides \$5 million in cost-share grants to stakeholders and communities for hazardous fuel reduction and restoration projects. It has proven to be an excellent example of community involvement and collaboration. In addition, it has led to economic development in rural communities and active development of multi-party monitoring protocols. The projects may be entirely on, or on any combination of federal, tribal, state, county, or municipal forestlands. The program is very successful.

Congressman Rick Renzi has introduced legislation in the House of Representatives to extend the CFRA to Arizona. The Council sent a letter of endorsement for this effort. (See Appendix D)

D4. Congress should fund \$30 million in forest restoration and hazardous fuel reduction in treatments on National Forest System lands in Arizona for FY'07. *Repeat of 2005 and revised for 2006*

Rationale: The six national forests in Arizona have the capacity to accomplish \$30 million of fuel reduction and forest restoration projects. These projects include thinning the forest, creating fuel breaks in the Wildland-Urban Interface and doing prescribed burns to reduce forest and shrub fuel loads. In addition, Arizona's forested communities are rapidly preparing Community Wildfire Protection Plans to ensure that they are eligible for federal hazardous fuel reduction funding.

A study published in the Journal of Forestry (Mason, 2006) estimates that the cost of uncontrolled wildfire (based on the cost of suppression, homes and lives lost, post fire rehabilitation and other variables) is \$1,982 per acre. The treatment costs per acre in Arizona vary between \$300-\$750, depending on the type of treatment and whether or not the cost is offset by utilization. All recent studies demonstrate that it is fiscally responsible to treat forests and avoid the expensive economic and environmental damage caused by catastrophic fire.

D5. Congress should fully fund the State and Private Forestry programs that support rural communities. Funding should be included for programs that support the central goals of the National Fire Plan.
Repeat from 2004 and 2005

Rationale: Programs that support community activities to treat forests provide multiple benefits including: local buy-in and collaboration, work force development and leveraged funding using state dollars. Federal programs that assist communities provide necessary incentives to motivate community action. These programs are cost-effective and are sometimes the only source of funding for essential planning and treatment support. Congress has expressed a commitment to community collaboration and therefore should continue to fund these programs to meet community need.

The Governor has expressed to the President and the Congressional delegation the need to maintain funding at the enacted levels in FY'06 (the FY'07 budget cuts programs). Her request letter to the President and a description of how federal programs benefit Arizona are included in Appendix F.

D6. Congress should ensure that the Forest Service implements the Cedar Springs Project as through the Forest Legacy Program. *New*

Rationale: Arizona is fortunate to have the largest contiguous expanse of ponderosa pine forest in the United States. In addition, it is home to biologically rich and rare riparian forests in the semi-desert grasslands and Sonoran desert ecosystems. According to a study by the Morrison Institute, the population of Arizona has more than tripled since 1960 and is growing three times faster than the nation as a whole. Unfortunately, there is spiraling demand for development in the forested wildland-urban interface and virtually any place there are trees and water. The Forest Legacy Program is a federal-

state partnership that thru the acquisition of land or interests in land (e.g., conservation easements) serves to protect ecologically-sensitive private land from conversion to non-forest uses.

The Cedar Springs project in North Central, Arizona is the first project proposed for Arizona under the Forest Legacy Program. The project is comprised of one 800-acre tract that has been part of a working ranch for over 100 years. The ranch contains many natural springs which, through an elaborate distribution system, provide water for ranching and wildlife habitat on over 200,000 acres. The Council urges Congress to provide funding for this important project.

E) Recommendations to Municipalities and Communities

- E1. All communities identified as “at risk” through the Arizona Communities at Risk (CAR) process, where a Community Wildfire Protection Plans (CWPP) is an appropriate planning activity, should complete a CWPP. *Repeat from 2005***

Rationale: Arizona has identified 159 communities at risk to unnatural, catastrophic fire. Presently, eleven CWPPs are complete that include 71 communities on the CAR list. The Healthy Forest Restoration Act prioritizes receipt of federal funding to communities that prepare a CWPP. Arizona communities have responded with exceptionally high participation and creativity to complete the plans that are adjacent to Forest Service and BLM land. Communities located on federal land or without the ability to produce a formal CWPP should develop an equivalent document.

- E2. Homeowner Associations (HOA) in communities at risk for wildfire should review and revise their Conditions, Covenants & Restrictions (CC&R's) to ensure they maximize activities that promote home and property protection from wildfire. *Repeat from 2005***

Rationale: Many outdated or misguided CC&R's include provisions that would prevent homeowners from taking action to create defensible space around their homes. Homeowners Associations should use CC&R's and HOA communications programs to encourage and/or promote the importance of property protection to homeowners and the community. Firewise treatments and fire resistant building materials in new construction are a prudent alternative to catastrophic fire or retroactive application of fire risk reduction approaches.

During 2006 the Education Subcommittee of the Council will develop a model set of CC&Rs to be distributed to Homeowner Associations.

- E3. Fire Districts, cities, towns and counties should aggressively promote hazardous fuel reduction on their own lands and lands within their jurisdiction. *Repeat from 2005***

Rationale: Municipalities and counties should use their authority to promote hazardous fuel reduction on private property and lands under their control. Fire does not adhere to ownership boundaries. Breaking up fuel continuity across neighborhoods will improve the effectiveness of suppression strategies. Public lands managed by cities, towns and counties should also be treated and used to demonstrate proper hazardous fuels reduction.

F) Recommendations to the Private Sector and Citizens

F1. In areas vulnerable to unnatural, catastrophic wildfire, the real estate community should become active partners in educating new home owners about actions that can be taken to reduce the risk of hazard of fire to property and structures. The Council recommends working through a collaborative process that includes representatives from the real estate and homebuilding industry to develop communication tools for new home and property owners. *New*

Rationale: Arizona communities are growing rapidly. New residents and homeowners need information explaining that they live in a forested area where fire is a possibility. Engaging real estate professionals to help educate citizens will assist communities to achieve fire risk reduction goals.

F2. Private property owners should implement actions to create defensible space around their homes. *Repeat from 2004 and 2005*

Rationale: Private landowners, through their own actions, play a large role in protecting their property. This can be accomplished by voluntary adoption of FireWise building standards by private landowners. Research shows that there are many actions that can be taken to create “defensible space” around homes. Effective fire hazard reduction will take the combined efforts of government and citizens. Everyone must do their part. Citizens can receive information and assistance from their local fire district, by visiting the <http://www.firewise.org/usa/> website, and contacting their local county extension agent and/or fire department.

G) Future Study

G1. The Forest Health Oversight Council should review the air-quality standards for energy produced by biomass. Presently this is an unclassified emission source. *Repeat from 2005*

Rationale: Before huge investment in biomass, gas emission standards should be considered to ensure minimal contributions of air pollutants. This is a complicated scientific and policy issue that deserves further study before the Council can prepare a recommendation.

G2. Research and recommend a funding or fee mechanisms to increase state public resources for forest restoration and hazardous fuels reduction. *Repeat from 2005*

Rationale: In 2004 the legislature increased the responsibilities of the State Forester while failing to provide additional financial resources. There is a need to increase financial and human resources to meet the challenges of treating unhealthy forests. In 2006 the Council will consider funding options that will assist the state and Arizona citizens to reduce hazardous fuels and restore forests.

G3. Monitor legislation passed in 2004 and 2005 to determine its effectiveness in motivating private sector investment in wood utilization. *New*

Rationale: Markets for small diameter wood are needed to help offset the cost of treatments. Rebuilding an appropriately scaled harvest and processing infrastructure to utilize wood can help offset the cost of treatments while providing jobs and enhancing local economies. The Council will monitor the outcomes of the state incentives established in 2005 and make recommendations if modifications are warranted or new ideas emerge.

H) Recommendations to the Forest Health Advisory Council

H1. The Forest Health Advisory Council should identify appropriate treatment protocols that simultaneously ensure effective wildfire risk abatement and forest restoration. *New*

Rationale: The job of the Forest Health Advisory Council is to review and develop scientific recommendations to improve forest health and reduce the risk of wildfire. The Advisory Council should review the existing literature and expert information to analyze which forest restoration treatments are effective in restoring forest health, reducing fire risk, and enhancing understory production and diversity.

CONCLUSION

The Council is grateful for the privilege to advise the Governor, Legislature, and other stakeholders on the actions needed to protect forest ecosystem.

This report makes 35 recommendations that will contribute to improving forest health and reducing the risk of unnatural fire in Arizona's forests and at-risk forest communities. They are directed at eight different groups of decisions-makers and illustrate that cooperation and collaboration will be critical for Arizona to successfully meet the challenge of restoring forests and protecting communities. Some of the recommendations are costly while others, like those directed at private landowners to encourage treating private property, can be accomplished through hard work. All investments, whether they are monetary or sweat equity will yield overwhelming dividends for forest health, watersheds and water supply, recreation, wildlife, and the quality of life for current and future citizens of Arizona.

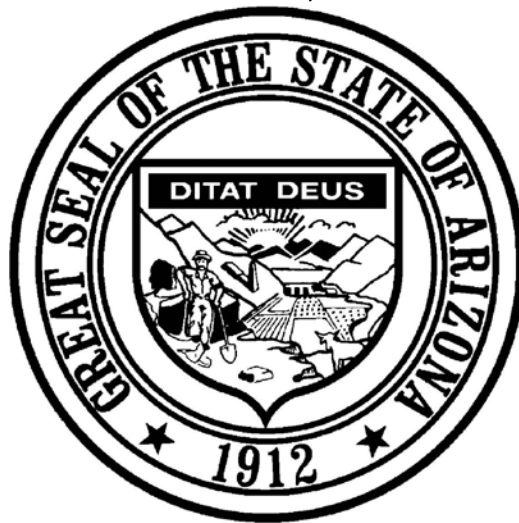
Appendix A

2005 Forest Summit Recommendations

Governor Janet Napolitano's
Second Annual Forest Health and Safety Conference:

“The Next 100 Years”

March 22, 2005



**Governor Janet Napolitano's
Forest Health and Safety Conference**

Recommendations from Breakout Sessions

Arizona's Community Wildfire Protection Plans: A View from the State (Round One)

•	"Coordinating party" to ensure communication with community efforts.
•	Need a strong sustainable economic engine to aid CWPP implementation of thinning projects.
•	

Arizona's Community Wildfire Protection Plans: A View from the State (Round Two)

•	Need continual outreach/education program
•	Need to encourage and enable (mandate?) higher standards / fire codes in communities.
•	Better building codes (meeting standards of wildland code).
•	Continuing funding structure to implement plans.

Arizona's Forests: Planning for Fire on the Landscape (Round One)

•	Establish knowledgeable people on a task force to educate the public relating to fire and forest treatment.
•	Develop processes and bring from abstract to practical, understandable participatory science.
•	Need for developers and realtors to educate about fire, smoke and forest treatment.
•	Move from short-term restoration to long- term maintenance. Long-term goal of maintenance -- if you treat it, you've committed to it -- need consistent funding and follow through.

Arizona's Forests: Planning for Fire on the Landscape (Round Two)

•	ADEQ coordinates with county DEQ's and local officials the benefits of fire - smoke issues.
•	SPLATS – Strategically placed treatments for specific objectives, i.e., fuel management, wildlife concerns. Utilize SPLATS. Use landscape planning tools in a cost effective way.
•	Plan for an establish fire sheds.

Wildlife and Forest Health: Why Restoration Matters

(Round One)

•	Manage growth to avoid intrusion into the wildlands and habitat.
•	Treatments should be planned and placed to maximize benefit for wildlife restoration. For example: take advantage of topography, encourage heterogeneity, connectivity and corridors landscape.
•	Restore natural processes recognizing special/temporal scales, but also explicitly acknowledging unknown future conditions.
•	Educate public as to what is involved in forest restoration.

**Wildlife and Forest Health: Why Restoration Matters
(Round Two)**

•	Maintain sustainable populations of all species but we need to determine what the future desired condition is.
•	Promote education on defensible space, habitat around their homes, and habitat in general.
•	Consideration needs to be given to both protecting communities and simultaneously protecting wildlife habitat.

**Forest Restoration – A New Economy?
(Round One)**

•	Establish and fund a statewide umbrella organization for forest industries (such as IOF).
•	Establish and fund a statewide workforce-training program for the forest and wood products industry.
•	Fund a state position dedicated to the forest industry.
•	Enact state incentives for small businesses for a sustainable forest industry.

**Forest Restoration – A New Economy?
(Round Two)**

•	State will provide funding to convert a <u>major</u> portion of NAU campus to a district biomass heating system as a demonstration project tracking cost-benefit of project.
•	Create incentives for consumers and producers to create markets and develop forest industries.
•	Umbrella organization for Forest Industry.

**Connecting Arizona to the Bigger Picture
(Round One)**

•	Improve public education.
•	Provide funding – All government levels and sources (private).
•	Vertical communication from local constituents up through all levels of government.
•	Research – bio and ecosystems.

**Connecting Arizona to the Bigger Picture
(Round Two)**

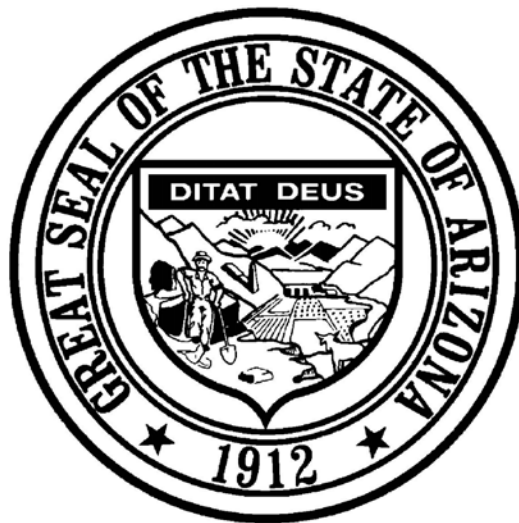
•	Restoration projects can be enhanced by economic incentives and through certification for renewable energy credits.
•	Funding: <ul style="list-style-type: none">- Reduce or eliminate borrowing of fire suppression funds from other funds.- Create budget process that creates a level playing field.- Fund the actual federal budget
•	Vision for restoring natural processes <ul style="list-style-type: none">- economic incentives- promote tracking of CWPP treated acreage- true community involvement in and review of the CWPP process- transcend jurisdictional and political boundaries

2006 Forest Summit Recommendations

Governor Janet Napolitano's
Third Annual Forest Health and Safety
Conference:

"A Statewide Strategy for Arizona's Forests and Communities: Empowering Place-Based Action"

March 21, 2006



**Governor Janet Napolitano's
Forest Health and Safety Conference**

Governor Janet Napolitano's

Fourth Annual Forest Health and Safety Conference

March 21, 2006

“A Statewide Strategy for Arizona’s Forests and Communities: Empowering Place-Based Action”

Recommendations from Breakout Sessions

Delivering Information to Get Action Done on the Ground (Session One)

•	Create a “Virtual Water Institute” approach for fire/forest health issues serving as an umbrella for outreach and education, and information consolidation
•	Create a user-friendly centralized-web site to access fire/forest information
•	Adopt a universal K-12 curriculum for use by anyone on fire and forest health
•	Expand fire and forest outreach to the general public

Delivering Information to Get Action Done on the Ground (Session Two)

•	Centralize the location of information including: a website; GIS data layers; definition of terms; funding opportunities; contact databases; research; property owner responsibilities
•	Establish education and outreach programs: address gaps in research and data; environmental K-12 education; community education on ecological conditions statewide with a localized approach for delivery
•	Collaborators need to agree on who’s collecting what info irrespective of boundaries to avoid duplication of effort.

Crafting a Common Vision for Forest Planning

(Session One)

•	Crosswalk and coordinate the forest planning process and state strategic vision drafting process
•	Create a fact sheet that describes the two processes, the differences and similarities
•	Create uniform definitions for collaboration and best available science
•	The state strategic vision should: get information out early and often; work on the ground to engage a local host for outreach meetings; and, use an open house format when working in communities to explain the vision
•	Identify point people in the federal agencies to engage in the vision

Crafting a Common Vision for Forest Planning (Session Two)

•	Promote inter-jurisdictional synergy (with all agencies and units of government)
•	Consider recommending a strategy in the vision document that articulates a Wildland Urban Interface containment strategy. This means keeping people within towns and cities and the WUI while avoiding sprawl that undermines fire fighting protection efforts and limits Forest Service and other agency options for managing land

Empowering Effective Local Planning Efforts (Session One)

•	The legislature should grant municipalities and counties authority to create FireWise regulations and to enforce them
•	Adequate funding should be developed for cities and counties to enforce local regulations on FireWise implementation and community education
•	End co-mingling of forest health and community protection funds. Focus spending on community protection as a higher priority

Empowering Effective Local Planning Efforts (Session Two)

•	Establish ongoing statewide FireWise education-critical to success of any planning
•	Create statewide user-friendly online database with local and county fire hazard and risk maps
•	Create partnerships among Forest Service/state/county/city stakeholders to support FireWise planning and education
•	Reduce infighting among state agencies competing for limited funding (e.g. water, fire, homeland security) through collaboration and coordination

Building Sustainable Forest Economies (Session One)

•	Establish a Forest Directory that provides information about available wood supply and producers: put a wood inventory in the data base; include a model of the stewardship marketing plan
•	Hasten release of trees from burned and bug kill areas
•	Stimulate the statewide economy through re-establishment of work force education
•	The tax incentives are not working including the legislatively established enterprise zones and healthy forest incentives. Do not penalize small businesses

Building Sustainable Forest Economies (Session Two)

•	Fund a field based position in forest products technology (possibly in the State Forester's office) to educate local businesses and local government in the latest technology and products of the forest products industry
•	The Governor should seek support from the Western Governors' Association for strong legislative changes to require the USDA/USFS to provide a sustainable flow of NEPA approved and <u>funded</u> timber to allow the wood products industry to make reasonable projections about the availability of timber.
•	Use Arizona forest wood waste biomass for ADOT and other state projects whenever possible (New Mexico is an example for this)

Promoting Renewable Energy Resources (Session One)

•	We need policies to assure a sustainable supply of wood/biomass from public land (such as stewardship contracts); the potential production capacity of fiber from available lands needs to be assessed and the information made available to interested users; and "set aside areas" where fiber production is the priority land management objective should be considered
•	There is reluctance by the utilities to use biomass due to price. To improve the economics of biomass energy, value added partners that use small/appropriately scaled industries and a variety of technologies need to be co-located with a biomass energy plants to reduce fiber handling costs and provide their "waste" as a feedstock
•	The public and decision makers should be educated about the fact that biomass energy is not a silver bullet. The audience for this message includes the Corporation Commission and the legislature

Promoting Renewable Energy Resources (Session Two)

•	We need a policy to assure sustainable wood supply (same as session one). The ForestERA modeling tools can help predict locations of treatments and yields of material
•	When assessing the economics of treatments and utilization activities, non-market based benefits and traditionally un-quantified benefits should be considered as a part of the total value; this includes: benefits to watersheds, forest health, wildlife habitat and avoiding smoke generated from burning slash that would be used as feedstock in a bioenergy plant instead
•	Value added partners are needed to make biomass economically feasible. (see recommendation two of session one above)

Collaborating for Results (Session One)

•	Provide science-based resources for local communities- spatially explicit and publicly accessible
•	Provide technical assistance to communities who want to form collaborative groups – include guidance on facilitation, organization, process, participation, etc.
•	Prioritize funding to go to high risk communities that have formed collaborative groups

Collaborating for Results (Session Two)

•	Define local, state, and federal roles in collaborative efforts: state and higher levels should provide support, resources, and recognition for locally-oriented planning and management
•	Provide assistance to communities on all aspects of collaboration, including process as well as scientific/technical dimensions
•	Develop a central web-based location for scientific and technical information to support collaborative efforts.

Appendix B

Healthy Forest Enterprise Incentives Program Summary

(Established under A.R.S. § 41-1516)

The primary goal of the **Healthy Forest Enterprise Incentives Program** is promote forest health in Arizona. The program achieves this by enhancing opportunities to certified businesses that are primarily engaged in harvesting or initial processing for commercial use or transporting of qualified forest products.

Following is a brief summary of the incentives provided by the Healthy Forest Enterprise Incentives Program.

1. **Use fuel tax reduction** from August 31, 2005 through December 10, 2010. A certified business that transports qualified forest products from or to qualifying projects is offered a use fuel tax reduction. The use fuel tax imposed is reduced from 26 cents to 13 cents a gallon for use class motor vehicles. (A.R.S. §§ 28-5606 and 28-5614)
2. **Transaction privilege tax exemption on:**
 - **Equipment purchased from** and after June 30, 2004 through June 30, 2014. A certified business is offered a transaction privilege tax exemption on qualifying equipment used for the harvesting or the initial processing of qualifying forest products. (A.R.S. § 42-5061)
 - **Equipment leased or rented** from and after June 30, 2004 through June 30, 2014. A certified business is offered a transaction privilege tax exemption on qualifying equipment used for the harvesting or the initial processing of qualifying forest products, if the qualifying equipment is leased for a period of more than five years. (A.R.S. § 42-5071)
 - **Construction contracts** if construction begins before January 1, 2010. A certified business is offered a transaction privilege tax exemption on a contract for the construction of any building, or other structure, project, development or improvement that is owned by the certified business and used for the harvesting or the initial processing of qualifying forest products. (A.R.S. § 42-5075)
3. **Use tax exemption on equipment purchased out-of-state** from and after June 30, 2004 through June 30, 2014. A certified business is offered a use tax exemption on the storage, use or consumption in Arizona of qualifying equipment purchased out-of-state and used for the harvesting or the initial processing of qualifying forest products. (A.R.S. § 42-5159)
4. **Property tax reduction** on real and personal property and improvements constructed or installed from and after December 31, 2004 through December 31, 2010. A certified business that owns and uses the property solely for the purpose of the harvesting, transporting or the initial processing of qualifying forest products is offered a property tax reduction. All real and personal property can be reclassified from Class 1 to Class 6 property, changing the assessment ratio from 25% to 5% for both primary and secondary tax purposes. (A.R.S. §§ 42-12006 (7) and 42-15006 (1))
5. **New job income tax credit** for taxable years beginning from and after December 31, 2004 through December 31, 2014. A certified business can receive a tax credit for net increases in qualified employment positions, subject to the following requirements and restrictions: job duties must primarily involve or directly support the harvesting, transporting or the initial processing of qualifying forest products removed from qualified projects into a product having commercial value; an employee must have been employed for at least 90 days in the first taxable year to generate a tax credit; an employee must not have been previously employed by the business within the twelve months prior to the current date of hire; and all of the net new eligible employees on whom the business is claiming a credit must be residents of Arizona on the date of hire; three new employees must be hired in the first year a tax credit is claimed. (A.R.S. §§ 43-1076 and 43-1162).

Tax credits may total up to \$3,000 per qualified employment position over three years for a maximum of 200 employees in any given tax year. A qualified employment position:

- Is a full-time permanent job (1,550 hours per year),

- Pays an hourly wage above the “Wage Offer by County” (currently between \$7.30 and \$11.77 depending on the county in which the business is located), and
- Offers health insurance to employees for which the employer pays at least 25% - 50% of the cost depending on the year in which the credit is claimed. An employer shall not reduce the amount of existing coverage provided to employees after certification.

The tax credits for qualified employment positions are equal to:

First year: one-fourth of wages paid to an employee up to \$500

Second year: one-third of wages paid to each previously qualified employee up to \$1,000

Third year: one-half of wages paid to each previously qualified employee up to \$1,500

If the allowable tax credit exceeds the income tax liability, any unused amount may be carried forward for up to five taxable years. A business that claims an enterprise zone, military reuse zone or defense restructuring credit may not claim a tax credit with respect to the same employee under the healthy forest program. (A.R.S. §§ 43-1076 (F) and 43-1162 (F))

Questions regarding Healthy Forest Enterprise Incentives can be directed to SB1283HF@azcommerce.com

Appendix C

January 3, 2006

Mr. Terry Goddard, Attorney General
Office of the Attorney General
Department of Law
1275 West Washington Street
Phoenix, AZ 85007

Dear Mr. Goddard:

I am writing to seek clarification on two issues related to wildfire code authority. These issues have serious implications for reducing the risk of catastrophic fire in rural communities in Arizona.

Issue number one relates to the authority of counties to adopt and enforce **Wildland-Urban Interface Fire Codes**. At least two counties have construed ARS11-861 (section D) in different ways: while Yavapai County has interpreted the legislation to grant the county authority to adopt and enforce a code, Coconino County does not believe it has authority to enforce the code. The first question that requires clarification is:

➤ **Do counties have the authority to adopt and enforce a wildland-urban interface fire code?**

In 2004 the Legislature amended Title 11, Chapter 6, Article 3 to read:

11-861. Adoption of codes by reference; limitations; method of adoption

A. In any county which has adopted zoning pursuant to this chapter, the board of supervisors may adopt and enforce, for the unincorporated areas of the county so zoned, a building code and other related codes to regulate the quality, type of material and workmanship of all aspects of construction of buildings or structures, except that the board may authorize that areas zoned rural or unclassified may be exempt from the provisions of the code adopted. Such codes may be adopted by reference after notice and hearings before the county planning and zoning commission and board of supervisors as provided in this chapter for amendments to the zoning ordinance of the county.

B. The board of supervisors may adopt a fire prevention code in the unincorporated areas of the county in which a fire district has not adopted the uniform fire code pursuant to section 48-805. Any fire code adopted by a board of supervisors pursuant to this subsection shall remain in effect until a fire district is established and adopts a code applicable within the boundaries of the district.

C. For the purpose of this article, codes authorized by subsections A and B of this section shall be limited to the following:

1. Any building, electrical or mechanical code that has been adopted by any national organization or association that is organized and conducted for the purpose of developing codes or that has been adopted by the largest city in that county. If the board of supervisors adopts a city code, it shall adopt, within ninety days after

receiving a written notification of a change to the city code, the same change or shall terminate the adopted city code.

2. Any fire prevention code that has been adopted by a national organization or association organized or conducted for the purpose of developing fire prevention codes and that is as stringent as the state fire code adopted pursuant to section 41-2146.

D. The board of supervisors may adopt a current wildland-urban interface code. The code may be adapted from a model code adopted by a national or international organization or association for mitigating the hazard to life and property. The board must follow written public procedures in the development and adoption of the code and any revisions to the code to provide effective, early and continuous public participation through:

1. The broad dissemination and publicity of the proposed code and any revisions to the code.
2. The opportunity for submission and consideration of written public comments.
3. Open discussions, communications programs and information services.
4. Consultation with federal agencies and state and local officials.

A second set of issues, not unrelated to the first, concerns Homeowners' Association community covenants and neighborhood restrictions (CCN&R's). Current CC&R's, which can be both antiquated and difficult to amend, often conflict with measures to reduce hazardous fuels and frustrate individuals who treat their private property to reduce fire risk but are adjacent to someone who does not. The second set of questions that require clarification are:

- **Does a state or county fire code supercede CC&R's?**
- **If the answer is yes, are county codes automatically incorporated into CC&Rs?**
- **Similarly, regardless of whether it has a conflicting fire code, does a county ever have authority to enforce a CC&R?**

If you need additional information, please feel free to call me at 602-771-1403. Thank you in advance for your opinion on these issues critical to the welfare of the state.

Sincerely,

Kirk Rowdabaugh
State Forester
1110 W. Washington St, Suite 100
Phoenix, AZ 85007

Appendix D

February 2, 2006

The Honorable Rick Renzi
House of Representatives
Washington, D.C. 20515

Dear Mr. Renzi:

We are writing to express our support for H.R. 3590, your legislation that will expand the Collaborative Forest Restoration Program (CFRP) to cover the State of Arizona.

As members of Governor Janet Napolitano's Forest Health Oversight Council we have endorsed expansion of this program to Arizona in our annual recommendations in both 2004 and 2005. Included in our recommendation is the following rationale:

This program provides \$5 million in cost-share grants to stakeholders and communities for hazardous fuel reduction and restoration projects. It has proven to be an excellent example of community involvement and collaboration. In addition, it has led to economic development in rural communities and active development of multi-party monitoring protocols. The projects may be entirely on, or on any combination of federal, tribal, State, county, or municipal forestlands. The program is very successful.

The CFRP in New Mexico can boast an impressive list of accomplishments that include:

- \$22.2 million in grants awarded to tribes, universities and schools, non-government organizations (NGO's), businesses, and local and state government
- 75 projects and 200 partners
- The creation of over 400 jobs
- Over 6,000 acres treated (of a projected 18,000 acres)
- Development of innovative ways to utilize small diameter trees (products include animal bedding, Hogan and cabin construction materials, and wood pellets)
- Provided educational opportunities for school children and communities.

The creation of new markets for small diameter wood and the development of a skilled woods work force are among the many important objectives we hope the legislation will accomplish for Arizona. We appreciate your effort to carry forward this legislation.

Sincerely,

Thomas O'Halleran, Arizona House of Representatives District 1
Council Co-Chair, Sedona

***Members of the Governor's Forest Health Oversight Council
(Organization affiliations are provided for identification only)***

Diane Vosick, Ecological Restoration Institute, Northern Arizona University
Co-Chair, Flagstaff

Beth Zimmerman, Arizona Department of Emergency Management
Phoenix

Heather Garbarino, Arizona Department of Commerce
Phoenix

Steve Campbell, Navajo County Cooperative Extension, University of Arizona
Holbrook

Honorable Joe Donaldson, Mayor
Flagstaff

Lori Faeth, Governor's Policy Advisor on Environmental Affairs
Phoenix

Alexious C. Becenti, Sr., Navajo Forestry Department
Ft. Defiance

Don Foster, Apache County Health Department
St. Johns

Dallas Massey Sr., Tribal Chairman, White Mountain Apache Tribe
White River

Michael Neal, Arizona Public Service
Phoenix

Erica Rosenberg, Arizona State University
Phoenix

Kirk Rowdabaugh, State Forester, Arizona State Land Department
Phoenix

Todd Schulke, Center for Biological Diversity
Tucson

Rob Smith, Sierra Club
Phoenix

Darrell Willis, Fire Chief
Prescott

Mark Herrington, Graham County Supervisor
Safford

Jack Metzger, Owner, Flying M Ranch
Flagstaff

Dr. Richard Collison, Medical Doctor
Prescott

Appendix E

Executive Order 2005-05

IMPLEMENTING RENEWABLE ENERGY AND ENERGY EFFICIENCY IN NEW STATE BUILDINGS

WHEREAS, development of renewable energy and promotion of energy efficiency can significantly improve Arizona's energy reliability and security, economic development, and environment; and

WHEREAS, as a state with abundant sunshine, Arizona has the opportunity to achieve national and global leadership in research, design, construction, manufacturing and development of renewable energy; and

WHEREAS, Arizona's dense forests pose both a fire hazard and an economic opportunity to develop thermal energy using forest biomass; and

WHEREAS, developing thermal energy using forest biomass also creates economic incentives for responsible and necessary commercial thinning of our forests; and

WHEREAS, supporting responsible use of Arizona's naturally renewable energy resources and increasing energy efficiency is important to the State, and the national economy;

NOW, THEREFORE, I, Janet Napolitano, Governor of Arizona, by virtue of the authority vested in me by the Constitution and laws of this State, hereby order as follows:

1. All Executive Branch agencies shall implement to the extent practicable the following standards in all new state-funded facilities:
 - A. Renewable Energy** – All new state funded-buildings constructed after the date of this Executive Order shall be designed and constructed to derive at least 10 percent (10%) of their energy from a renewable resource. A renewable resource may include: solar, wind, or the use of thermal energy from biomass fuels for heating and or cooling. This goal may also be met through the purchase of renewable energy credits (as defined by the Department of Commerce Energy Office) from an energy producer.
 - B. Energy Efficiency** – The design for all state-funded buildings constructed after the date of this Executive Order shall include energy efficiency standards consistent with Arizona Revised Statutes § 34-451 and Executive Order 2003-14.

C. LEED Standard – All state-funded buildings constructed after the date of this Executive Order shall meet at least the “silver” Leadership in Energy & Environmental Design (LEED) standard.

2. The Arizona Department of Administration, Arizona Department of Transportation and Arizona School Facilities Board, shall submit a report to me (as well as to the Director of the Department of Administration) in writing via electronic submission, by August 1, 2005, and annually thereafter, summarizing:
a) actions taken to achieve the renewable and energy efficiency goals of this Order; b) the extent to which the goal has been achieved; and c) if the goal was not achieved, an explanation why it was not achieved and an assessment of what can be done to achieve the goal.
3. All other branches of state government are also encouraged to review and comply with the design standards set forth in this Executive Order.

IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Arizona.


GOVERNOR



Signed at the Capitol in Phoenix this 11th day of February Two Thousand Five and of the Independence of the United States of America the Two Hundred and Twenty-Ninth.

ATTEST:


SECRETARY OF STATE

Appendix F



STATE OF ARIZONA

OFFICE OF THE GOVERNOR

1700 WEST WASHINGTON STREET, PHOENIX, AZ 85007

JANET NAPOLITANO
GOVERNOR

MAIN PHONE: 602-542-4331
FACSIMILE: 602-542-7601

August 29, 2005

The President
The White House
1600 Pennsylvania Ave, NW
Washington, DC 20500

Dear Mr. President:

This year Arizona experienced the worst wildfire season in state history with almost 700,000 acres burned. Of the total, the majority of fires (84% or 587,133 acres) were on lands in federal or tribal ownership. In the face of ever increasing fire danger on public lands, Arizona struggles to protect communities, watersheds, people and property from catastrophic fire. Arizonans worry about their forests, deserts and rangelands, not only for their aesthetic value but as a natural asset that is critical to one of Arizona's largest economic sectors--tourism. In addition, we continue to deal with the challenges of reforestation and other issues associated with the aftermath of catastrophic wildland fire. One tribe in Arizona, the White Mountain Apache Tribe, is still struggling with extreme surface runoff, erosion, and poor water quality, as a result of the Rodeo-Chediski Fire that burned more than 275,000 acres in 2002.

The potential for catastrophic fire from federal land burning state and private land in Arizona is very high simply because we have so much federal and tribal land. Many of the recent changes in federal forest policy are helping motivate and accomplish treatments in the wildland-urban interface. However, the funding provided for treatments falls far short of the need. This failure to invest in prevention leads to spending tremendous amounts of money fighting and recovering from fire. A fiscally less responsible option when you consider that in Arizona the cost of treatment is between \$300-\$750 per acre, and recent fires, such as the Cerro Grande fire cost the federal government, insurance companies and others \$26,000 per acre.

As the Executive Branch land management agencies, the Council on Environmental Quality and the Office of Management and Budget consider the FY'07 budget, I urge you to increase the portion of the discretionary budget dedicated to fixing our forests. There are few environmental challenges for which we have such a clear solution. Restoring forests not only reduces the threat of catastrophic fire but it also provides long-term natural resource benefits for generations.

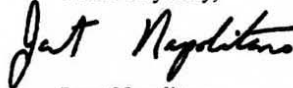
The President
August 29, 2005
Page 2

For the last several years your budget has fallen short of what is needed to treat forests. To solve the problem we need to step up to the size of the task. Therefore, I am asking you to include the following funding levels in the FY'07 budget. This request is based on recommendations of the National Association of State Foresters, my Forest Health Oversight Council and other stakeholders working to restore forest health.

1. Fund **\$30 million in forest restoration and hazardous fuel reduction projects** identified in Arizona on federal land. In addition, the funds included under **Wildland Fire Management** should be at the FY'06 enacted level of **\$1.8 billion**.
2. Provide sufficient funding for **State and Private Forestry** programs. State and Private Forestry programs help bring forestry to all landowners whether small woodlot, tribal governments, state agencies, or federal land management agencies in efficient, non-regulatory ways. These programs include:
 - **Forest Health Management**, fund at the FY'05 enacted level of **\$101.8 million**.
 - **Cooperative Fire Protection**, fund at the FY'06 enacted level of **\$39.4 million**
 - **Cooperative Forestry** and its associated programs. In particular we encourage the agency to implement the **Forest Legacy** program in Arizona and revitalize the **Economic Action Program** that assists communities on a variety of fronts to plan and implement treatments. All these programs should be funded at the FY'05 enacted levels that include emergency supplemental funding (**\$153.4 million**) in addition to the **Economic Action Program** which should be funded at **\$40 million**.
3. Increase funding in the **Wildland Fire Management** budget for **State and Private Forestry**. These important programs should be at the FY'06 enacted level of **\$79.4 million**.
4. Finally, in October 2004 you signed PL108-317, "**The Southwest Forest Health Restoration and Wildfire Prevention Act**." This program is designed to deliver the best available science to land managers and stakeholders who design treatments. This program should be funded at a level of **\$7 million**.

For much of the intermountain west, catastrophic fires pose one of the biggest safety and economic threats to the welfare of our citizens. The good news is that a solution exists if we can work diligently and expeditiously to implement it. Please increase the funding available to restore forest health in the FY'07 budget.

Yours very truly,



Janet Napolitano
Governor

State and Private Forestry Programs of Importance to Arizona Communities and Citizens

State Fire Assistance (SFA)

The SFA program assists the State with preparing for a coordinated federal/state/local response to wildland fires and other non-fire emergencies. The programs helps ensure State and local fire crews complying with national safety and training standards when they are deployed to federal fires and other national emergencies, including Hurricane Katrina and Space Shuttle Columbia recovery efforts. The program also assists the State and local communities with risk assessments, hazardous fuels treatment projects, and public education and fire prevention activities.

Forest Service Volunteer Fire Assistance (VFA) / DOI Rural Fire Assistance (RFA)

The VFA and RFA programs are administered by the State Forester and assist local fire departments with equipment and training through 50-50 cost-sharing grants. The program's main focus is on rural and urban interface communities that need assistance in meeting the threat of wildland fires escaping from neighboring federal lands, and in assisting federal agencies control their fires on the federal estate.

Cooperative Lands Forest Health Management Program (DLFHM)

The State Forester, in cooperation with the federal land managers, surveys and monitors insect and disease conditions on federal/state/private lands and provides technical and suppression assistance to private landowners for their forest health needs. By coordinating their efforts, forest land managers maximize program dollars and ensure that a balanced and effective forest health program is implemented on forest lands of all ownerships. Federal funding for the program is supplied through two budget line items within the Forest Service: Cooperative Lands Forest Health and Federal Lands Forest Health. Both lines are important to the program budget.

Economic Action Program (EAP)

EAP in Arizona has been used to fund the Southwest Sustainable Forest Partnership (SWFP). SWSFP has been successfully developing sustainable community based enterprises capable of addressing the utilization of small diameter trees harvested from forest restoration and fire mitigation projects. These include, but are not limited to, projects that 1) use wood biomass as a renewable natural resource to provide clean, readily available energy suitable for use in heating or power systems for public schools, public facilities or commercial buildings or that 2) develop sustainable forest practices, markets and infrastructure in Arizona and New Mexico.

Forest Legacy Program (FLP)

The Forest Legacy Program (FLP) supports state efforts to protect environmentally sensitive forest lands. Designed to encourage the protection of privately owned forest lands, FLP is an entirely voluntary program. Arizona's first proposal, the Cedar Ranch Project, is comprised of one 800-acre tract that has been part of a working ranch for over 100 years. The ranch contains many natural springs which, through an elaborate distribution system, provide water for ranching and wildlife habitat on over 200,000 surrounding acres. Located just 30 minutes from downtown Flagstaff, Cedar Ranch is a private in-holding in the Coconino National Forest and is adjacent to Northern Arizona University's Centennial Forest on Arizona State Trust Land. A family with a long history of ranching and conservation currently owns the property, and they want to ensure that the

land is protected in perpetuity. A conservation easement on the Cedar Ranch will prevent fragmentation to eighty ranchettes or other forest conversion in the future.

Tract Name	Size (acres)	Tract Cost	FLP Funding	Non-Fed Cost Share	Status
Cedar Ranch	800	\$ 2,400,000	\$ 1,800,000	\$ 600,000	Proposed 2007
Total	800	\$ 2,400,000	\$ 1,800,000	\$ 600,000	